Southern Cable Group

Wire Are You Waiting For?

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We view Southern Cable Group Bhd (SCGBHD) as a key proxy to Malaysia's accelerating grid upgrade cycle. With 3GWac of ESAs signed in the pipeline, demand for power cables, which are a major component of power systems, should remain strong in the medium term. While we recognise concerns over input cost pressures, our analysis suggests that its current share price has already discounted such expectations (as shown in Exhibit 17). The upcoming 132kV 1800mm² cable, expected by 2HCY26, adds another earnings growth catalyst. Initiate with an OUTPERFORM call and street-high TP of RM2.71. Current valuations remain at an attractive entry level, with potential to trend toward the higher-end of the historical range as more orders flow in.

Cables are set to be a key beneficiary of TNB's RP4, with the Green Lane Pathway accelerating data centre grid connections to 12 months (vs. 36-48 months), pulling forward cable procurement. This urgency is already reflected in recent VOs amounting to RM121m, secured within a year. Under RP4, SCGBHD has secured RM404m in contracts, a 21.7% increase over the previous cycle, supported by a higher proportional mix of higher-margin MV cables. With c.3GWac of Energy Supply Agreements (ESAs) already signed and 80%-85% of TNB's contingent capex expected to be triggered during RP4, we believe the second 1+1 tender cycle could roll out by year-end, further accelerating the procurement process. Following industry restructuring, SCGBHD's ongoing capacity expansion (+12% capacity) positions it as one of the key players best positioned to benefit from additional demand.

Is the market missing the bigger picture? Recent concerns over rising polymer prices may compress SCGBHD's earnings. However, our sensitivity analysis suggests that earnings remain largely insulated as long as polymer prices stay below RMB9,500/MT, given that the current RP4 contract was tendered in 2HCY24 when polymer prices were already high. Current polymer prices stand at around RMB8,500/MT, leaving c.12% headroom before impacting our base case. Overall risks remain manageable as: (i) 70% of revenue is on a pass-through basis, with new tenders reflecting prevailing spot prices, and (ii) management has secured polymer inventory sufficient to cover production until 1HFY26.

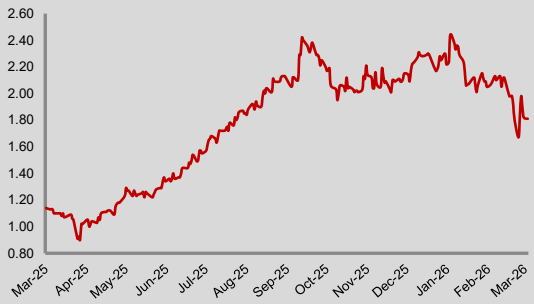
132kV 1800mmsq Cable Certification: The Next Catalyst. SCGBHD is in the final stages of certification for its 132kV large-diameter cables up to 1,800mmsq. Once certified, it will be among a limited number of local players capable of supplying this high-value segment. With TNB reducing reliance on imported cables, domestic suppliers are poised to gain market share. Demand is driven by three factors, namely: (i) grid enhancement under TNB's RP4, where 132kV 1,800mmsq cables deliver the higher capacity needed for transmission upgrades; (ii) utility-scale solar expansion, with LSS5+ project rollouts commencing 2HFY26; and (iii) Tier 4 data centre investments, which require greater redundancy in power supply, driving adoption of larger 132kV cables for dedicated grid connections. Given 132kV's higher margins, this represents structural earnings uplift the market has yet to price in.

We initiate SCGBHD with a TP of **RM2.71**, based on 18x FY27F EPS and **OUTPERFORM** rating No ESG rating is available, pending the FY25 full-year report.

OUTPERFORM ↑

Price : **RM1.81**
Target Price : **RM2.71** ↑

Share Price Performance



KLCI	1,696.56
YTD KLCI chg	1.0%
YTD stock price chg	-21.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGBHD MK EQUITY
Market Cap (RM m)	2,046.2
Shares Outstanding	1,130.5
52-week range (H)	2.52
52-week range (L)	0.88
3-mth avg daily vol:	5,937,552
Free Float	65%
Beta	1.4

Major Shareholders

Sino Shield Sdn Bhd	27.8%
Employees Provident	9.1%
Semangat Handal Sdn Bhd	3.6%

Summary Earnings Table

FYE Mar (RM m)	2025A	2026F	2027F
Turnover	1,759.7	1,877.8	2,148.3
EBIT	185.6	225.4	266.9
PBT	177.3	211.7	257.8
Net Profit	**131.5**	**160.9**	**195.9**
Core Net Profit	**139.6**	**160.9**	**195.9**
Consensus (CNP)	-	159.5	187.0
Earnings Revision	-	-	-
Core EPS (sen)	15.1	15.7	19.1
Core EPS Growth (%)	90.7	15.3	21.7
NDPS (sen)	2.9	3.5	4.5
BVPS (RM)	0.4	0.6	0.8
Core PER (x)	12.0	11.5	9.5
PBV (x)	4.2	2.8	2.3
Net Gearing (x)	0.3	0.3	0.2
Net Div. Yield (%)	1.6	1.9	2.5

Risks to our call include: (i) policy risk, (ii) sustained hikes in polymer prices, and (iii) geopolitical and trade policy risk.

COMPANY OVERVIEW

Established in 1993, Southern Cable Group Berhad (SCGBHD) is **one of the few integrated cable manufacturers** in Malaysia capable of producing cables ranging from **low voltage** (LV) up to **132kV high-voltage** (HV) and is **currently expanding into extra-high voltage** (EHV) 275kV cables. Headquartered in Kuala Ketil, Kedah, the Group **currently** operates at a production run rate of **54,980km per year**, with capacity expected to increase to **59,980km by end-2026 and 65,000km by end-2027**.

The Group currently operates **four Continuous Catenary Vulcanisation (CCV) lines**, with **another two** in the **pipeline** including one line configured for EHV, making it one of the highest in the domestic industry. CCV lines are critical for manufacturing MV-HV cables, where installation costs are significant and technical certification requirements create **high barriers to entry for new competitors**.

SCGBHD operates a **vertically integrated** manufacturing model, covering aluminium rod production (60,000 MT), copper rods (18,000MT), plastic compounding for cable insulation (7,800 MT currently, expanding to 12,000 MT post-commissioning), as well as wooden cable drum manufacturing (60,000 pieces). This integration enables the Group to **better manage raw material costs, shorten procurement cycles**, and maintain **tighter quality control**, particularly given that copper and aluminium are the key cost drivers in cable manufacturing.

SCGBHD is also one of the approved panel suppliers to **Tenaga Nasional Berhad** (TNB) for **power distribution and transmission** infrastructure across Peninsular Malaysia. Its client base also includes major corporates such as Telekom Malaysia (TM) and Petroliam Nasional Berhad (PETRONAS), highlighting the Group's established track record in supporting critical infrastructure projects.

In recent years, SCGBHD has also expanded its revenue streams into export markets, particularly the **United States**, where demand for **aluminium alloy cables** used in building wiring and cabling applications has been growing. Despite currently offering only two export products, this segment has already **generated c.RM170m in FY25 revenue**, demonstrating the potential of its overseas market expansion.

Domestically, the Group has also benefited from TNB's Regulatory Period 4 (RP4) grid expansion and transmission upgrades, particularly the rising demand for MV aluminium cables. **Since the start of RP4**, SCGBHD has **secured RM525m of contracts** including RM121.1m variation orders (VOs). As of FY25, **long-term contracts contributed c.30%** of total revenue, with **power cables and wires** remaining the key product segment, accounting for **92% of total sales**.

At the helm of the company are:

i. **Mr. Eng Hai Tung (Managing Director)** who has over 47 years of experience in the cable and wire industry (since 1978) and has been the driving force behind SCGBHD's growth since joining the Group in October 2003. He began his career in 1978 at Leader Cable Industry Sdn Bhd, rising to Deputy Factory Manager, and subsequently held senior roles at Universal Cable (M) Berhad and Leader Universal Holdings Berhad, where he was involved in setting up new factories and developing new product ranges. He joined Southern Cable in 2003 as General Manager, assuming responsibility for technical and plant operations, and took over the business from his sibling in 2004.

   His leadership has also been pivotal in the Group's participation in major national infrastructure projects, including the Mass Rapid Transit (MRT) 1 and 2, the Refinery and Petrochemical Integrated Development (RAPID) in Pengerang, and the East Coast Rail Link (ECRL) project and successfully listed on the Main Market of Bursa Malaysia in October 2021. Based on the FY24 annual report, Mr. Tung holds his interest in SCGBHD through Sino Shield Sdn. Bhd., a private investment vehicle owned by him and his spouse. Sino Shield is the single largest shareholder, with 294m shares (32%) and 135m warrants (49% of total).

ii. **Mr. Ooi In Keong (Group General Manager)** who has over 26 years of experience in the cable and wire industry and has been with SCGBHD for 20 years. He began his career at Leader Universal in 1999 before joining Southern Cable in May 2005 as a Senior Production Engineer. He has since risen through the ranks, holding positions as Production Manager (2009), Plant Operations Senior Manager (2010), Plant Operation General Manager (2015), and Chief Operating Officer (2017), before being re-designated as Group General Manager in April 2019. In his current role, he is responsible for overseeing the overall operations of the Group, drawing on deep expertise gained across production, plant operations, and safety management.

iii. **Mr. Swee Kim Song (Group Chief Financial Officer)** who has 34 years of experience in accounting and finance-related functions (since 1991). She holds a Bachelor of Accounting from the University of Malaya and has been a member of the Malaysian Institute of Accountants since 2007. Her career began in audit at Lim, Tay & Company, followed by roles in accounting and finance at Pharmmalaysia Berhad, Seputih Asas Sdn Bhd, Euromodal Industries Sdn Bhd, and Advanced Sound Products Sdn Bhd. She joined SCGBHD in January 2009 as an Accountant and was progressively promoted to Finance Manager (2010), Senior Finance Manager (2012), and her current position as Group Financial Controller in April 2019. She is responsible for overseeing the Group's overall accounting, finance, and taxation functions.

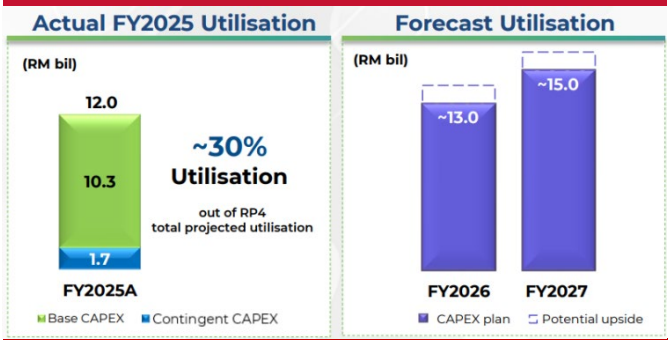
INVESTMENT MERITS

1. Cables are set to be one of the key sectors benefiting from TNB's RP4.

We believe demand under the Green Lane Pathway will remain strong in the near term, supported by **c.3GWac of EASs** currently in the pipeline. To recap, this programme fast-tracks grid connections for data centres to **12 months** versus the typical 36-48 months, implying that **cable procurement** is likely to occur earlier in the project execution cycle, given that cables are typically required during the initial stages of construction. This accelerated demand is already reflected in **recent VOs** amounting to **RM121m**, representing 30% of the original contract value under the current TNB 1+1 contract cycle (which refers to an initial one-year contract with an option to extend for an additional year), secured within less than a year. This highlights the **urgency and strength of cable demand**. To recap, SCGBHD has secured RM404m in contracts under RP4, representing a 21.7% increase compared to the previous cycle, alongside a better product mix with a higher proportion of MV cables, which supports margin improvement. In addition, TNB has guided that **80%-85% of contingent capex** is expected to be triggered during the RP4 period to support ongoing grid enhancement initiatives. This should translate into sustained inflows of cable orders over the coming years.

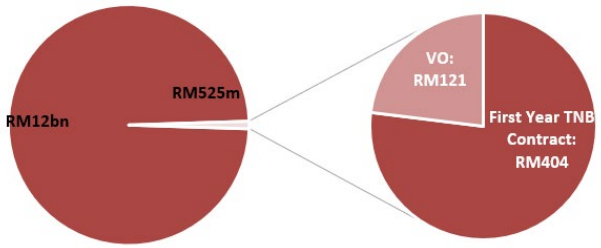
Based on the current pace of order flows, we believe the second cycle of the TNB 1+1 tender could be rolled out by year-end, further extending earnings visibility into FY27 and beyond. Meanwhile, the **number of eligible local manufacturers** for MV and HV cables remains limited, particularly following the wind-down of SCABLE. We also note that scaling up to a comparable capacity with SCGBHD would likely require **at least four years**, given the need to establish a proven track record for TNB certification as well as secure sufficient working capital to manage raw material volatility. These structural barriers reinforce our view that cable demand should remain robust throughout the RP4 period, while further strengthening SCGBHD's competitive positioning, supported by its ongoing capacity expansion to capture additional demand.

Exhibit 1: TNB RP4 Capex Utilisation and Outlook



Source: TNB

Exhibit 2: SCGBHD's Secured Contracts under TNB RP4



Source: Kenanga Research

2. Is the market missing the bigger picture?

Recent concerns have centred on rising raw material costs, namely copper, aluminium and plastics, which could compress SCGBHD's margins. While we acknowledge the potential pressure, we believe the impact should remain manageable, supported by the Group's contract structure and proactive procurement strategies.

For short-term purchase orders, pricing is quoted at spot prices, fully insulating the Group from recent raw material cost increases. For long-term orders, **copper and aluminium** costs, which together account for more than half of COGS, are adjusted quarterly. With advance delivery forecasts, the Group can preorder materials at **locked-in volumes and pricing**. To further manage exposure, SCGBHD enters into multiple LME contracts at different points in time with fixed volumes, providing partial protection against short-term price volatility. Hence, on a full-year basis, we believe the impact from copper and aluminium cost volatility should remain manageable.

For plastics, this component accounts for c.15% of COGS and are not allowed to be passed through. To quantify this, we conducted a sensitivity analysis on the relationship between polymer prices and earnings.

Scenario analysis: Plastic price sensitivity. Under our FY26F assumptions, we benchmarked against late-2024 high polymer prices as a reference level for tender pricing. Based on our analysis, every **RMB500/MT increase** in plastic prices could reduce SCGBHD's earnings by **c.RM4m or** a **2%** impact on our baseline FY26F earnings of RM161m, assuming: (i) plastic accounts for c.20% of COGS, (ii) long-term contract revenue of RM452m (of which 90% relates to power cables), (iii) an estimated 30% contribution from long-term contracts to overall earnings, and (iv) a 1% GP margin uplift from the in-house plastic compounding plant scheduled for commissioning in 1HFY26.

Exhibit 3: SCGBHD's FY26F Earnings Change (%) from Base Case (Including 1% Margin Uplift from In-House Plant)

Plastic Price (RMB/MT)	Plastic % of COGS					
	161	10%	15%	20%	25%	30%
	6500	10%	12%	13%	15%	17%
	7000	9%	10%	11%	12%	13%
	7500	8%	8%	9%	9%	10%
	8000	7%	7%	7%	7%	7%
	8055	6%	6%	6%	6%	6%
	9000	4%	3%	2%	1%	0%
	9500	3%	2%	0%	-2%	-3%
	10000	2%	0%	-2%	-4%	-6%
	10500	1%	-2%	-4%	-7%	-10%
	11000	0%	-3%	-7%	-10%	-13%
	11500	-1%	-5%	-9%	-13%	-16%
	12000	-2%	-7%	-11%	-15%	-20%
	12500	-3%	-8%	-13%	-18%	-23%

Source: Kenanga Research

Scenario 1: Prolonged plastic price spike (+50%). If geopolitical tensions persist and plastic prices surge 50% to c.RMB12,000/MT, earnings could decline by **c.11% to RM143m**. This assumes no price adjustment under the second year of TNB's 1+1 contract given the fixed-price structure for plastics.

Scenario 2: Normalisation of plastic prices (-19%). If geopolitical tensions resolve and polymer prices normalise to c.RMB6,500/MT (in line with February levels), earnings could improve by **c.13% to RM182m**.

Based on our analysis, earnings remain insulated as long as polymer prices do not exceed **RMB9,500/MT**. Current polymer prices stand at around RMB8,500/MT, leaving c.12% headroom before impacting our base case.

We believe the overall impact remains manageable for two key reasons. First, **70% of revenue is fully pass-through**, with new tender cycles set to incorporate prevailing prices, ensuring any margin compression is temporary. Second, the Group's **hedged inventory policy** provides **sufficient** coverage for **production** requirements **until 1HFY26**, offering a near-term buffer.

3. Emerging supplier of 132kV cables.

SCGBHD is in the final stages of certification for its newer 132kV cables with larger diameters of up to 1,800mmsq. Once certified, the company will be among a limited number of local players capable of supplying this segment. Based on our channel checks, the local utility is gradually **reducing reliance on imported cables** to support **local content development**, which should translate into stronger order flows for domestic suppliers including SCGBHD. Demand for 132kV cables is robust, driven by: (i) TNB's grid enhancement, (ii) utility-scale solar interconnection, and (iii) data centre power infrastructure requirements.

Exhibit 4: SCGBHD's Cable Product rRange

Source: Company

Exhibit 5: XLPE / PVC 1600mm² HV Cable Sample

Source: Company

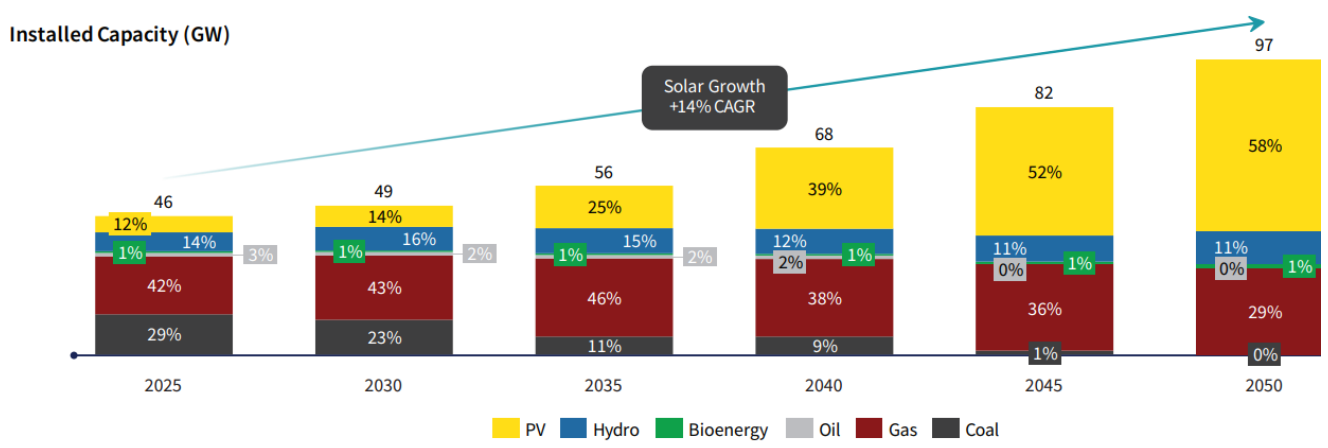
Photo (right) shows a 1600mm² HV cable sample. SCGBHD has also obtained certification for cables up to 1800mm², which reflects the latest demand specifications from TNB for higher-capacity transmission infrastructure.

i. **Grid Enhancement.** TNB's RP4 allocates c.RM26.6b in base capex, with c.RM13b directed to transmission and distribution (T&D) infrastructure for grid enhancement and network upgrades. For HV cables, procurement falls under the transmission segment, where TNB appoints electrical contractors. These contracts ultimately translate into purchase orders for SCGBHD. Our channel checks indicate that **132kV underground cables** account for c.**60% of total underground utilities project costs**, making them the single largest component of grid upgrade works. Based on Bursa announcements, TNB has already awarded c.RM254m of 132kV-related contracts since RP4 commenced, signalling

early momentum for HV grid works. With SCGBHD among only a handful of certified domestic suppliers for 132kV cables, the Group is primed to capture a significant share of upcoming awards.

ii. **Solar:** SCGBHD is a direct beneficiary of Malaysia's NETR. Utility-scale solar plants particularly those above 50MW, **increasingly require 132kV** grid interconnection to handle higher electricity flows and **reduce grid congestion**. With Malaysia targeting 70% renewable energy under NETR, solar deployment will continue scaling up as one of the most cost-competitive renewable sources. Near-term demand will be driven by **LSS5+**, where we estimate c.RM3b in project contracts to be rolled out, with cable procurement commencing from 2HFY26. This will be followed by **LSS6, CRESS**, and additional solar projects. Importantly, our channel checks indicate several contractors have already approached SCGBHD, with early-stage orders expected from 2HFY26. Given SCGBHD's capability to supply the full range of cables for solar PV systems, the Group is well positioned to capture this upcoming wave of demand.

Exhibit 6: Malaysia's Installed Power Capacity Mix Outlook



Source: NETR

Note: Solar is expected to dominate new capacity additions due to its scalability and position as the most cost-effective renewable energy source.

iii. **Data centre:** Contribution from data centre projects has been increasing steadily, reaching 15% of revenue in FY25 from low single digits previously. Based on our channel checks, several existing data centre projects have already entered Phase 2 expansion (refer to Appendix). We are seeing increasing investments in **Tier 4 data centres in Johor**, which demand the highest technical specifications for power infrastructure. Tier 4 facilities require greater reliability and redundancy, translating directly into stronger demand for HV power cables. SCGBHD is uniquely positioned to capture this opportunity. The Group possess: (i) an established track record with existing data centre operators, (ii) competitive pricing advantages from lower logistics costs vs imports, and (iii) ongoing capacity expansion ready to absorb additional demand. With data centre investments accelerating, SCGBHD stands as one of the purest proxy play to capture this upside.

Exhibit 7: Recent Major Data Centre Developments in Malaysia

Date	Developer	Project / Location	Investment / Value	Development
23-Mar	Amazon (AWS)	Malaysia	RM25.5bn (US$6bn) by 2037	New infrastructure region announced; largest tech investment in Malaysia
4-Feb-26	Bridge Data Centres	IOI Industrial Park, Banting	RM740.7m (US$188m)	Land acquisition: 136 acres for capacity expansion
10-Dec-25	Mitrajaya (NEXTDC)	KL Data Centre	RM844.0m (revised from RM375.5m)	4th Variation Order (Stage 1 Phase 3) accepted; due July 2026
Jun 2024 - Feb 2025	Microsoft	Johor (multiple sites)	US$2.2bn (total)	Acquired 3 land parcels (c.284 acres, RM1.2bn) for data centre development
29-Oct-25	Google (Pearl Computing)	Elmina Business Park, Selangor	US$2bn+	IJM awarded RM873.9m M&E fit-out works contract

Source: Various, Kenanga Research

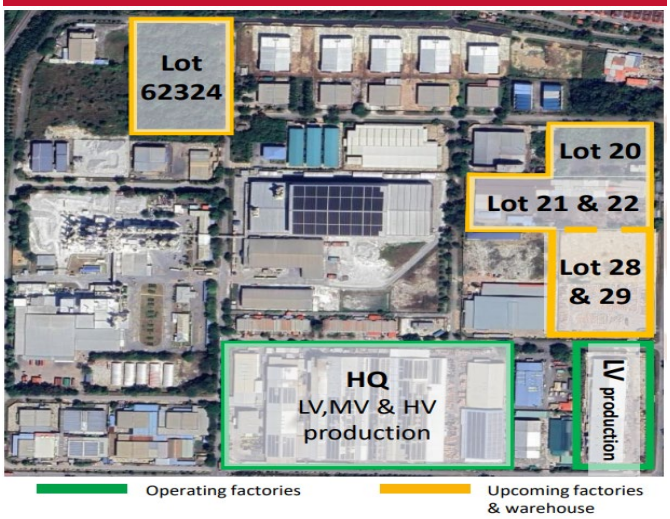
Note: SCGBHD's exposure to the DC segment is via building contractors appointed for data centre projects, rather than directly with owners. The illustration above captures only the latest developments in this space.

4. Capacity expansion to support demand growth.

To cater to rising demand, SCGBHD has acquired several parcels of industrial land in 2024 and 2025 and is executing a phased capacity expansion plan. The Group is targeting an additional **~4,000km per year**, mainly for LV and MV cables, by end-2026, followed by another **c.6,000km in 2027**, bringing total capacity to **65,000km per year by 2027** (vs current 54,980km). The

expanded facilities will include two additional CCV lines: one for **MV-HV cables** and another for **MV-EHV cables**. Currently, **no local manufacturer produces EHV cables** in Malaysia, with 275kV cables entirely imported. SCGBHD's EHV line, targeted for 2027, will position the Group as the sole domestic supplier, capturing significant import substitution upside. At full utilisation, we estimate the expanded capacity could support up to RM2.4b in annual revenue. Additionally, a **new aluminium furnace** (40,000 MT) commencing March will bring total capacity to 60,000 MT, enhancing cost optimisation given that aluminium remains a key raw material required by local utilities.

Exhibit 8: SCGBHD's New Plant Developments



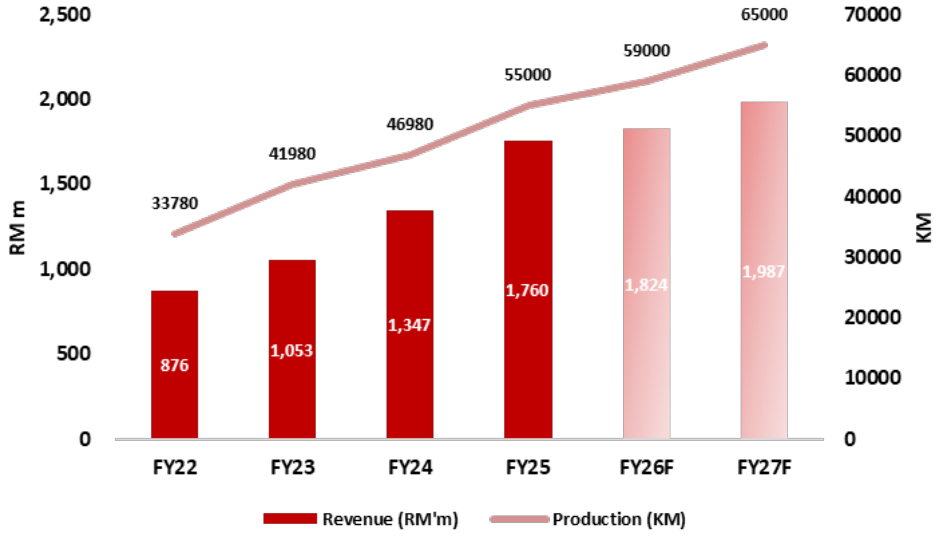
Source: Company

Exhibit 9: Plant Expansion Plan and Timeline

	Plan	Schedule
Plant A (Lot 20,21,22)	• **Land Size:** 7.9 acres • To produce aluminium rods & MV, HV, and EHV cables **Capacity** • Aluminium Rods: >40,000 MT/yr • HV Line: MV - >1,000km/yr / HV - >600km/yr • EHV Line: MV - >2,000km/yr / EHV - >400km/yr	• Furnace to operate in March • EHV line installation targeted for 2H26
Plant B (Lot 28 & 29)	• **Land Size:** 5.4 acres • To produce LV cables and wires	• Ongoing Construction • To complete in 2H26
Warehouse (Lot 62324)	• **Land Size:** 5.3 acres • To store raw materials and finished goods	• Construction targeted for 1H26

Source: Company

Exhibit 10: SCGBHD Revenue and Cable Production Trend



Source: Company, Kenanga Research

5. US market remains a sizeable addressable opportunity.

To diversify its revenue stream, SCGBHD is steadily expanding its export footprint, **targeting 30% of revenue** over the long term from **13% currently.** The US market remain the key contributor which contributes c.RM170m in FY25 revenue from **two aluminium alloy building cables**, with **four additional products** in the **pipeline**. We believe this is only the beginning, as the addressable market for LV housing cables remains largely untapped, spanning over 30 SKU variations across different conductor materials, insulation types and core structures. Importantly, the US market carries **high barriers to entry**. Suppliers must obtain UL certification, a rigorous process involving extensive product testing, compliance verification and factory qualification that typically takes about one year. Once certified, suppliers tend to **enjoy sticky customer relationships**. Recent developments on US import tariffs are unlikely to materially affect SCGBHD's margins, as management indicated that the distributor has agreed to absorb the tariff, with any remaining cost passed through to end-customers.

We believe SCGBHD's position remains strong for three key reasons:- (i) it is **one of the few suppliers** selected by a major US distributor; (ii) its quality assurance is backed by a **proven track record** in supplying the full range of cables to Malaysia's national grid, a credential that resonates strongly with US buyer; (iii) with **geopolitical tensions** driving supply chain diversification, US buyers are increasingly sourcing from Southeast Asian manufacturers, creating a structural tailwind that favours SCGBHD. Export orders also command **higher margins** than domestic sales, supported by favourable pricing dynamics in the US housing market. As new products come online and US buyers continue diversifying, we expect SCGBHD's export segment to drive meaningful earnings growth ahead.

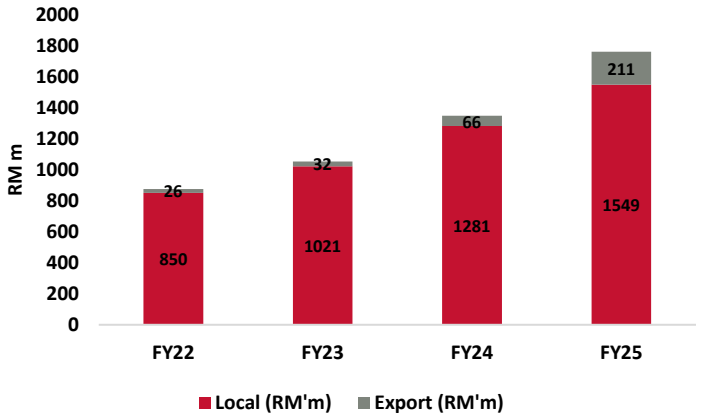
Exhibit 11: XHHW-2 (XLPE High Heat-resistant Water-resistant)

Source: Company

Exhibit 12: USE-2 / RHW-2 (URD) (Rubber, Heat Resistant, Water Resistant)

Source: Company

Exhibit 13: SCGBHD's Revenue Mix by Local and Export Markets



Source: Company, Kenanga Research

FINANCIAL HIGHLIGHTS

Financial review. SCGBHD has delivered stellar financial growth, achieving a five-year CAGR of 89%, with CNP rising from RM10m in FY21 to FY128m in FY25. Growth was largely attributed to: (i) industry consolidation during the Covid-19 period, which led to the exit of a number of cable manufacturers, (ii) grid enhancement initiatives, particularly under TNB's RP4, where demand has shifted towards MV aluminium cables compared with earlier cycles that were more focused on LV cables, (iii) increasing power cable demand from data centre developments to support redundant power connectivity, and (iv) export sales to the US market, which typically command better margins. Consequently, SCGBHD's CNP margins improved to 7%, up from a 1% in FY21. As for the balance sheet, SCGBHD maintains a strong financial position with a healthy cash reserve of RM18m and a net gearing of 0.02x as of 4QFY25.

Financial forecast. Moving forward, we project FY26F and FY27F earnings of RM161m and RM196m, respectively, representing 15% and 22% YoY growth.

FY26F: We expect earnings to be primarily driven by existing long-term orders of c.RM500m including recent TNB VOs, and new purchase orders of c.RM1b supported by transmission grid enhancement, utility-scale solar development, data centre infrastructure and export market expansion. We have factored in the group's capacity expansion of 4,000km per year, which will mainly cater to

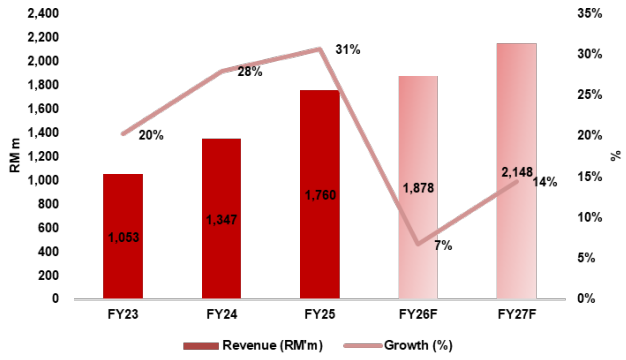
LV and MV cables. Contribution from 132kV 1,800mmsq cables will gradually commence from 2HFY26, though FY26 contribution from this segment is expected to be modest as deliveries begin to ramp up.

FY27F: Earnings will be driven by higher volume from total capacity of 65,000km per year, supported by strong order book replenishment from the new TNB 1+1 contract cycle and gradually increasing contribution from the RM1b new purchase order pipeline. Margins are expected to improve as the product mix shifts toward a higher proportion of MV and HV cables, led by 132kV 1,800mmsq sales, alongside better contribution from the US export market as capacity scales to accommodate higher volume.

Our earnings forecasts have not factored in any additional upside from future TNB variation orders. Any such wins would represent further earnings upside beyond our base case.

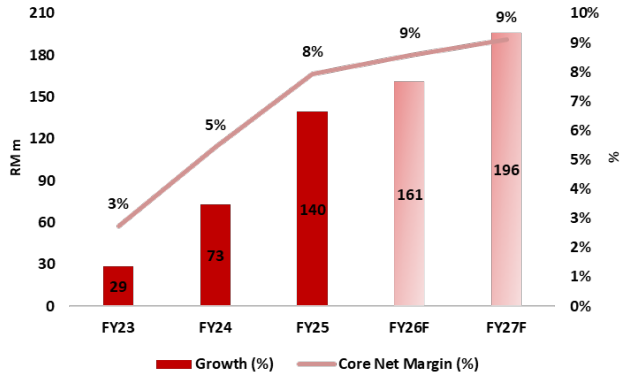
Dividend policy. SCGBHD has consistently paid dividends since listing, historically distributing on average c.21% of PATMI, which is above the company's stated policy of 15%. FY25 delivered 3 sen per share (21% payout, c.2% yield). Looking ahead, we forecast payout ratios to remain in the range of 22% to 24% over FY26 to FY27, translating into forward yields of c.2%-3%. We expect cash flow to be largely utilised for working capital requirements particularly due to recent raw material price hikes, with the estimated cash conversion cycle standing at around 150 days (compared to 135 days in FY24).

Exhibit 14: Revenue and Growth



Source: Company, Kenanga Research

Exhibit 15: Net Profit and Margin



Source: Company, Kenanga Research

VALUATION

We initiate coverage on SCGBHD with an **OUTPERFORM** rating and a TP of **RM2.71**, based on 18x FY27F PER (0.5SD above its forward mean). Looking at the **5-year forward PER band**, SCGBHD traded at a peak of **31.1x**, driven by strong margin improvement and sustained contract flows during that period (see Exhibit 17). This was followed by a subsequent compression to a trough of **10.2x**, mainly due to the normalisation of earnings growth. The stock currently trades at around **14x forward earnings** as the market awaits the next cycle of contract replenishment. We believe that as the new tender cycle gains momentum, valuations could gradually trend toward the higher end of the historical range. Current orders in hand stand at **RM887m**, representing a 0.5x FY25 revenue. No ESG rating on SCGBHD was available pending the full-year 2025 report.

We like SCGBHD given: (i) its position as **one of the few cable** manufacturers capable of supplying the **full range of TNB cables**, with utility revenue contributing c.30% of total sales; (ii) its **fully funded capacity expansion** (+12% by 2027) could generate up to RM2.4bn in annual revenue at full run rate, offering clear earnings upside; (iii) the exit of SCABLE (PN17) and TNB's push for **local content** have reshaped the competitive landscape in SCGBHD's favour; and (iv) diversification into the **US export market**, with only two products currently, provides high-margin growth potential as more products come online.

In terms of competition, there are no direct pure-play cable manufacturers listed on Bursa Malaysia. OSK Holdings is the closest peer, but as a diversified conglomerate, its cable segment contributes only about 6% of Group earnings. Regional players such as Far East Cable and Hengtong operate at the EHV level (up to 1100kV), which is beyond SCGBHD's current 132kV capability.

Exhibit 16: Comparison of Local and Regional Peers in the Cable Industry

Company	Country	FYE	Market Cap (RM m)	Revenue (RM m)	Net Margin (%)	5-yr Average Fwd PER (x)
Malaysia						
Southern Cable	Malaysia	Dec	2,182	1,760	7.3	15.3
OSK Holdings	Malaysia	Dec	4,997	*656	4.9	6.1
Regional						
^Far East Cable	China	Dec	17,197	16911	7.2	6.12
^*Hengtong Optic-Electric	China	Dec	72,373	40473	4.3	13.5

Simple Average	*8.6*

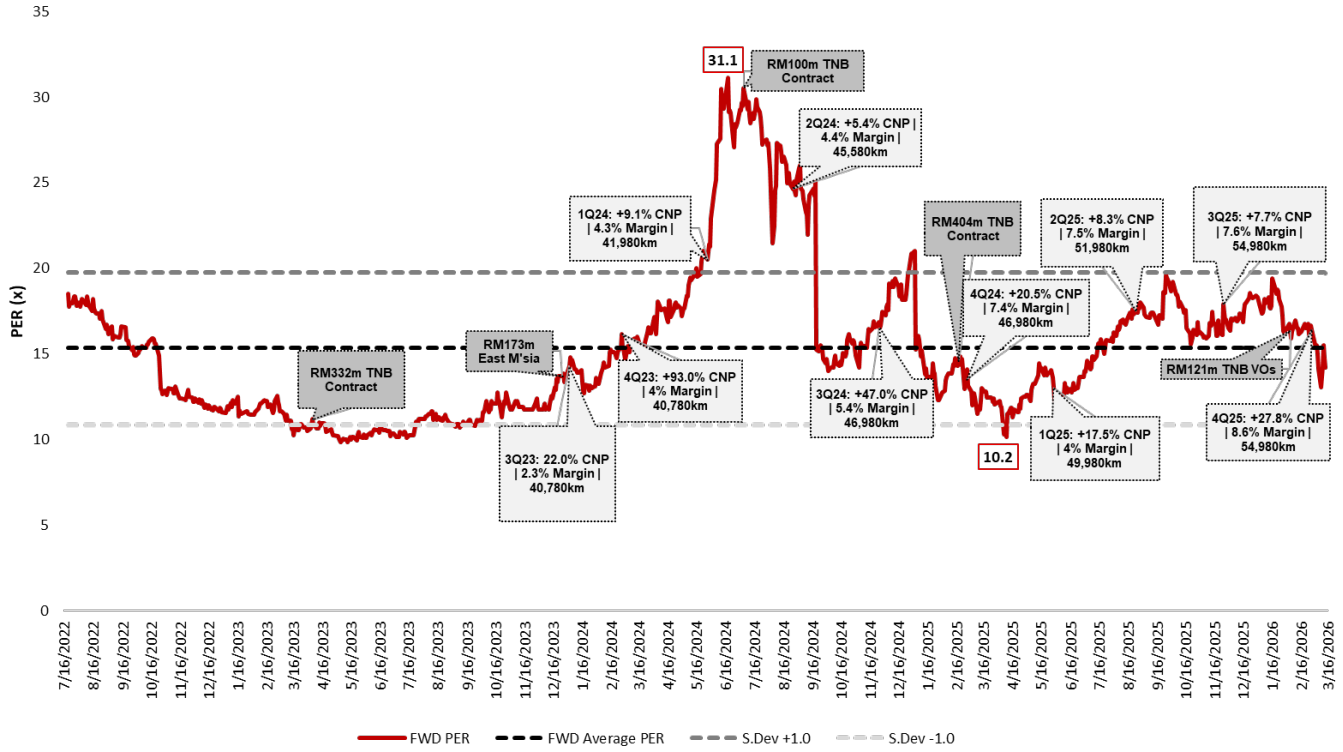
**OSK's revenue refers to the contribution from its industrial segment only.*

^Far East Cable provides extra-high voltage (EHV) power cables ranging from 500kV to 1100kV.

^Hengtong Optic-Electric provides power cables with voltage ratings up to 500kV.

Source: Bloomberg, Kenanga Research

Exhibit 17: SCGBHD's PER Band (2022-2026)



Source: Company, Kenanga Research

KEY RISKS

(i) **Policy risk**. With 92% of revenue derived from the power sector, SCGBHD's performance is closely tied to Malaysia's infrastructure upcycle. Any slowdown in TNB's capex spend or a peak in grid enhancement activities could reduce order flows.

(ii) **Sustained hikes in polymer prices.** Unlike copper and aluminium, plastic resin costs are not passed through under long-term contracts. Plastic account for c.20% of COGS, any sustained spike in prices could pressure margins on existing 1+1 TNB contracts secured in February 2025.

(iii) **Geopolitical and trade policy risk**. With US exports contributing 13% of FY25 revenue and a target of 30%, SCGBHD faces uncertainty from shifting US trade policies. The ongoing Section 301 investigation into Malaysia's manufacturing sectors and stricter rules on transshipment could disrupt export growth. Any adverse trade measures affecting Malaysian goods may impact the Group's US expansion plans.

Sustainbility (ESG) Highlights

Sustainability-Related Opportunities

I. **Strategic Proxy for Energy Transition**: SCGBHD is a direct beneficiary of Malaysia's NETR. The commercialization of 132kV HV cables in 1H 2026 addresses the critical infrastructure backlog for utility upgrades and hyperscale data centers.

II. **Operational Resilience:** The group's utilisation of renewable energy i.e. solar power generated RM1m in cost savings in the last fiscal year. Further scaling of renewable energy usage serves as a vital margin hedge against potential fuel-subsidy rationalization or carbon pricing in 2026.

III. **Capacity & Vertical Integration**: The RM259m private placement (Oct 2025) facilitates an expansion to 65,000 km/year by 2027. Increased aluminium rod output (targeting 60,000 MT/year) improves vertical integration, potentially lowering the embodied carbon of products, a key factor for "Green Procurement" tenders.

Sustainability-Related Risks & Disclosure Gaps

I. **Scenario Analysis**: While SCGBHD identifies climate risks qualitatively, it has not yet disclosed a scenario analysis. This will be required for financial years ending on or after 31 December 2025.

II. **Scope 3 Visibility**: The Group has not yet quantified its value chain (Scope 3) emissions. For manufacturers dependent on copper and aluminium smelting, this remains a key data gap for institutional investors with strict decarbonisation mandates.

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	1,053	1,347	1,760	1,878	2,148
EBIT	47	99	186	225	267
PBT	38	92	177	212	258
Taxation	(10)	(20)	(46)	(51)	(62)
Net Profit	29	72	131	161	196
Core Net Profit	**29**	**73**	**140**	**161**	**196**

Balance Sheet

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	52	55	136	214	306
Intangibles	40	44	44	44	44
Other FA	0	0	0	0	0
Inventories	223	144	184	217	247
Receivables	225	265	315	386	441
Other CA	231	145	145	145	145
Cash	22	96	83	55	85
Total Assets	**794**	**750**	**908**	**1,061**	**1,270**
Payables	56	83	90	83	103
ST Borrowings	212	186	186	176	166
Other ST Liability	57	87	87	87	87
LT Borrowings	6	10	6	6	6
Other LT Liability	8	8	10	10	10
Net Assets	**288**	**315**	**402**	**699**	**897**
Share Capital	218	218	245	245	245
Retained Earnings	191	218	278	574	773
Other Reserves	-121	-121	-121	-121	-121
Non-controlling Interest	0	0	0	0	0
Total Equity	**288**	**315**	**402**	**699**	**897**

Cashflow Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	123	11	9	78	149
Investing CF	(9)	(49)	(67)	(50)	(50)
Financing CF	(40)	25	224	(55)	(68)

Financial Data & Ratios

FY Mar	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Revenue	20.2	27.9	30.6	6.7	14.4
EBIT	68.9	111.2	87.1	21.4	18.4
PBT	94.7	141.0	92.1	19.4	21.7
Net Profit	99.8	152.2	81.8	22.4	21.7
Core Net Profit	99.8	155.2	90.7	15.3	21.7
Profitability (%)					
Operating Margin	4.5	7.4	10.5	12.0	12.4
PBT Margin	3.6	6.9	10.1	11.3	12.0
Core Net Margin	2.7	5.4	7.9	8.6	9.1
Effective Tax Rate	25.1	21.6	25.8	24.0	24.0
ROA	3.6	9.8	15.4	15.2	15.4
ROE	10.0	23.2	34.7	23.0	21.8
DuPont Analysis					
Net Margin (%)	2.7	5.4	7.9	8.6	9.1
Assets Turnover (x)	1.3	1.8	1.9	1.8	1.7
Leverage Factor (x)	2.76	2.38	2.26	1.52	1.42
ROE (%)	10.0	23.2	34.7	23.0	21.8
Leverage					
Debt/Asset (x)	0.3	0.3	0.2	0.2	0.1
Debt/Equity (x)	0.8	0.6	0.5	0.3	0.2
Net (Cash)/Debt	196	100	110	127	87
Net Debt/Equity(x)	0.68	0.32	0.27	0.18	0.10
Valuations					
Core EPS (sen)	3.5	7.9	15.1	15.7	15.0
DPS (sen)	0.8	1.6	2.9	3.5	4.5
BVPS (RM)	0.4	0.3	0.4	0.7	0.7
Core PER (x)	33.9	118.2	41.3	29.4	17.6
Net Dividend Yield (%)	0.4	0.9	1.6	1.9	2.5
PBV (x)	5.2	5.3	4.2	2.7	2.6

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div. Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
ANCOM NYLEX BHD	OP	0.905	1.20	32.6%	955.3	Y	05/2026	8.8	9.6	49.8%	11.5%	10.3	9.4	1.3	13.9%	5.0	5.5%
BM GREENTECH BHD	UP	1.21	1.72	42.1%	832.2	Y	03/2026	11.3	12.2	11.5%	7.5%	10.7	9.9	2.3	22.5%	1.8	1.5%
BP PLASTICS HOLDINGS BHD	MP	0.645	0.630	-2.3%	181.6	Y	12/2026	7.9	8.5	72.8%	8.2%	8.2	7.6	0.6	8.0%	4.3	6.6%
HPP HOLDINGS BHD	MP	0.300	0.300	0.0%	116.6	Y	05/2026	2.0	2.3	146.9%	12.7%	14.7	13.1	0.9	6.3%	2.0	6.7%
SCIENTEX BHD	OP	3.50	3.84	9.7%	5,447.0	Y	07/2026	37.9	39.0	12.1%	3.1%	9.2	9.0	1.1	12.9%	12.5	3.6%
SLP RESOURCES BHD	MP	0.790	0.810	2.5%	250.4	Y	12/2026	4.6	5.4	43.4%	17.4%	17.2	14.6	1.5	8.4%	5.0	6.3%
TECHBOND GROUP BHD	OP	0.285	0.470	64.9%	216.2	Y	06/2026	4.1	4.5	37.5%	9.1%	6.9	6.3	0.8	12.0%	1.0	3.5%
THONG GUAN INDUSTRIES BHD	OP	1.32	1.37	3.8%	518.9	Y	12/2026	18.4	19.1	2.7%	3.8%	7.2	6.9	0.5	7.7%	6.0	4.5%
SOUTHERN CABLE GROUP BHD	OP	1.81	2.71	49.7%	2,046.2	Y	12/2026	12.4	15.0	15.3%	21.7%	14.6	12.0	3.6	30.6%	3.5	1.9%
SECTOR AGGREGATE					**8,518.2**					**27.8%**	**5.0%**	**9.6**	**9.2**	**1.1**	**11.7%**		**4.8%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	☆	
SPECIFIC	Product Quality & Safety	★	★	★	☆	
	Effluent & Waste Management	★	★	★	★	
	Digitalisation & Innovation	★	★	★	☆	
	Use of Biodegradable Materials	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Energy Efficiency	★	★	★		
	OVERALL	★	★	★	☆	

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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